

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

PERIODIC REPORTING
(PROPOSAL TWO)

Docket No. RM2020-7

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO QUESTIONS 1-4 OF CHAIRMAN'S INFORMATION REQUEST NO. 1**
(April 15, 2020)

The United States Postal Service hereby provides its responses to the above listed questions of Chairman's Information Request No. 1, issued April 14, 2020. The questions are stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:

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**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
CHAIRMAN'S INFORMATION REQUEST NO. 1**

1. The Postal Service states that review of unit delivery costs by rate category at a detailed level shows "large differences between the street time unit delivery costs for flats in [Flats Sequencing System (FSS)] and non-FSS zones." Petition, Proposal Two at 1. Please explain how FSS and non-FSS zones are identified and provide the reference to the detailed methodology description.

RESPONSE:

The split between FSS and non-FSS zones uses the Commission's approved methodology from Docket No. RM2015-16, Proposal Seven: Section Two:¹

In conclusion, the Commission approves the Postal Service's proposed methodology to estimate the workshare avoided costs for the new Presorted FSS mail categories approved in Order No. 2472 by: (1) modifying the Standard and Periodicals Flats Models to estimate the mail processing avoided costs for Presorted FSS mail; and (2) disaggregating the delivery costs for Standard Flats, Carrier Route Flats, Periodicals Flats, and BPM Flats between those destinating in FSS zones and those destinating in non-FSS zones to estimate the delivery avoided costs of FSS mail.

That methodology is embodied in the workbook entitled, FY 2014 FSS Delivery Costs.xls included in the Commission's Library Reference, PRC-LR-RM2015-16/1. The methodology is described in detail in the Postal Service's proposal in Docket No. RM2015-16. ²

¹ See, Order 2839, Approving Analytical Principles Used in Periodic Reporting (Proposal Seven), Docket No. RM2015-16, November 25, 2015 at 11.

² See, Petition of The United States Postal Service for The Initiation Of A Proceeding To Consider Proposed Changes In Analytical Principles (Proposal Seven), Docket No. RM2015-16, August 5, 2015 at Section Two, 3-12.

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2. Library Reference USPS-RM2020-7-1, April 7, 2020, folder "Calculating Updated Variabilities" contains SAS program file "Calculate Variabilities With New Volume Proportions.sas" that reads data from a dataset file not provided in any of the library references in the current docket. Please confirm that the input dataset for SAS program "Calculate Variabilities With New Volume Proportions.sas" is the same as the dataset in file "doiscv.sas7bdat" previously provided in Docket No. RM2015-7, Library Reference USPS-RM2015-7/1, December 11, 2014, folders "Regular_Delivery_Equation" and "SAS_Data_Sets." If not confirmed, please provide the dataset file used as the input for SAS program file "Calculate Variabilities With New Volume Proportions.sas" and explain how this dataset was created.

RESPONSE:

Confirmed. The fact that doiscv.sas7bdat is being used in the program is stated in the Preface to USPS-RM2020-7-1, which also provided the location of doiscv.sas7bdat:

No other changes are made in the original program. The new program, Calculate Variabilities With New Volume Proportions.sas reads in the CCSTS based analysis data set, entitled, doiscv.sas7dbat, which is available in the same Regular_Delivery_Equation directory, but in the SAS_Data_Sets subdirectory.

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3. The Postal Service states that the “impetus for [Proposal Two] was the fact [that] the unit city carrier street time flats costs were greatly different for FSS flats and cased flats.” Petition, Proposal Two at 6. The Postal Service then compares these costs “for FY 2019 using the old variabilities and the new variabilities.” *Id.* at 6-7. Please confirm that mail volumes for four categories of non-FSS flats—Periodical Flats, Bound Printed Matter Flats, USPS Marketing Mail Flats, and Carrier Route Flats—are considered cased mail. If not confirmed, please explain if any volumes of these non-FSS flats are considered sequenced mail and provide the percentage distribution between cased mail and sequenced mail for each of the four categories of non-FSS flats.

RESPONSE:

Confirmed.

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4. The Postal Service states that "63 percent of High Density and Saturation Flats are sequenced and another 4.8 percent are sorted on the FSS." *Id.* at 9.
- a. Please confirm that the remaining 32.2 percent of High Density and Saturation Flats are cased mail.
 - b. If confirmed, please explain what determines the split of non-FSS High Density and Saturation Flats volumes between cased and sequenced mail.
 - c. If not confirmed, please clarify the status of the remaining 32.2 percent of non-FSS High Density and Saturation Flats volumes.

RESPONSE:

a. Confirmed.

b. The split of High Density and Saturation Flats among the FSS, cased, and sequenced categories is based upon the relative volumes from the FY2019 City Carrier Cost System. Those volumes can be found in the "InputDK" tab in CS06&7-Public-FY19.xlsx.

c. Not applicable.